competitors to incorporate language in their tariffs that would allow continued use of ICB pricing, while rejecting SWB's identical ICB tariff language.[726]

425. US West states that the language of the *Supplemental Designation Order* addressing ICB arrangements is confusing and should not be interpreted to equate ICB offerings with general carrier offerings based solely on the type of service offered or on the filing of an ICB rate in a carrier's tariff.[727] US West suggests adoption of alternative language to modify the policy statement in the *Supplemental Designation Order.*[728]

426. ALTS, Ad Hoc, NYNEX, Sprint, MFS, and MCI urge the Bureau to deny Bell Atlantic's petition. These carriers argue that, read in its proper context, the language of the *Supplemental Designation Order* is consistent with Commission policy and the *Dark Fiber* decision.[729] MCI and Ad Hoc explain that there are two types of ICB offerings: those that are unique service arrangements that meet the needs of specific customers and never evolve into generally-available offerings, and those service arrangements that eventually are tariffed as generally available offerings.[730] They argue that the language in the *Supplemental Designation Order* refers only to the second type of offerings, a conclusion that is consistent with *Dark Fiber.*[731] ALTS and Sprint explain that the *Dark Fiber* decision did not hold that ICB service offerings could never qualify as common carrier offerings, but rather rejected a *per se* rule that the mere filing of ICB contracts with the Commission is sufficient to demonstrate that the services are common carrier offerings.[732] MFS also argues that SWB's claim is irrelevant to the issue of whether ICB arrangements are to be treated as common carrier service.[733]

427. Bell Atlantic replies that clarification of the language in the Bureau's *Supplemental Designation Order* is necessary. Bell Atlantic maintains that an ICB service offering can be regulated as a common carrier service under Title II only after it is voluntarily held out to "the general public, or a subset of the public" or to a "significant number of

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[726] *Id.* at 3.

[727] US West Comment at 3.

[728] *Id.*

[729] ALTS Opposition at 2-3; Ad Hoc Opposition at 2-5; MCI Opposition at 5-6; Sprint Opposition at 2-3; MFS Opposition at 2-3; NYNEX Opposition at 2-3.

[730] MCI Opposition at 5-6; Ad Hoc Opposition at 2-3.

[731] MCI Opposition at 5-6; Ad Hoc Opposition at 2-3.

[732] ALTS Opposition at 2; Sprint Opposition at 5.

[733] MFS Opposition at 4

customers."[734] It is only at that point, Bell Atlantic argues, that the Commission can reasonably find that an ICB offering is a common carrier service.[735] Bell Atlantic warns that for the Commission to act otherwise disregards precedent and raises constitutional issues under the Fifth Amendment.[736]

C. Discussion

428. We disagree with Bell Atlantic's assertion that the language in the *Supplemental Designation Order* is inconsistent with Commission policy and the *Dark Fiber* decision. As we have previously stated, there are two types of ICB offerings: (1) those that provide a new technology for which little demand initially exists, but that later evolve into a generally-available offering as demand grows; and (2) those that are unique service arrangements offered to meet the needs of specific customers and that never evolve into a generally-available offering.[737] We find that, in reading the *Supplemental Designation Order,* it is clear that the Bureau was addressing only the first type of ICB offerings, those cases in which a carrier is offering a new service that evolves into a generally available offering as demand grows. The Bureau limited its discussion to this type of ICB because connection charge elements for physical collocation are generally available to all customers who request these services. In that order, the Bureau did not state that *all* ICB arrangements are generally-available, common carrier offerings. Rather, the Bureau explained the manner by which *some* ICB pricing arrangements are converted to averaged rates applicable to all customers.

429. Moreover, the Bureau's statement on ICB offerings is not inconsistent with the holding of *Dark Fiber.* In that case, contrary to Bell Atlantic's argument, the court did not reject the Commission's treatment of a series of dark fiber offerings as common carrier services on the ground that ICB arrangements are not considered common carriage offerings. Rather, the court rejected the Commission's attempt to treat dark fiber offerings as a common carrier service based on the mere filing of an ICB arrangement with the Commission. The court stated that the mere filing of an ICB arrangement as a tariff, standing alone, is insufficient to establish a service as a common carrier communications service, thereby subjecting it to the Commission's jurisdiction under Title II of the Communications Act.[738]

430. We conclude that the language regarding ICB filings in the *Supplemental Designation Order*, when read in context, is an accurate description of an ICB filing that

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[734] Bell Atlantic Reply at 3.

[735] *Id.*

[736] *Id.* at 3-4.

[737] *Dark Fiber*, 19 F.3d at 1482-83 (citing Policy and Rules Concerning Rates for Dominant Carriers, CC Docket No. 87-313, Second Report and Order, 5 FCC Rcd 6786, 6810 (1990)).

[738] *Dark Fiber*, 19 F.3d at 1483-84.

should evolve into generally-available offerings. We do not find that further clarification is necessary and therefore deny Bell Atlantic's petition for clarification.

VII. ORDERING CLAUSES

431. Accordingly, pursuant to Sections 4(i), 201(b), and 204(a) of the Communications Act, 47 U.S.C. §§ 154(i), 201(b), and 204(a), **WE FIND** that certain rate structures identified in this Order and contained in the physical collocation tariffs of Ameritech Operating Companies, Bell Atlantic Telephone Companies, BellSouth Telecommunications, Inc., Central Telephone Companies, Cincinnati Bell Telephone Companies, GTE Telephone Operating Companies, Lincoln Telephone and Telegraph Company, Nevada Bell, New York Telephone Company and New England Telephone and Telegraph Company, Pacific Bell, Rochester Telephone Corporation, Southern New England Telephone Company, Southwestern Bell Telephone Company, and US West Communications, Inc. are **UNLAWFUL**.

432. **IT IS FURTHER ORDERED** that, pursuant to Sections 4(i), 201(b), and 204(a) of the Communications Act, 47 U.S.C. §§ 154(i), 201(b), and 204(a), certain direct costs identified in this Order and contained in the physical collocation tariffs of Ameritech Operating Companies, Bell Atlantic Telephone Companies, BellSouth Telecommunications, Inc., Central Telephone Companies, Cincinnati Bell Telephone Companies, GTE Telephone Operating Companies, Lincoln Telephone and Telegraph Company, Nevada Bell, New York Telephone Company and New England Telephone and Telegraph Company, Pacific Bell, Rochester Telephone Corporation, Southern New England Telephone Company, Southwestern Bell Telephone Company, and US West Communications, Inc. are **UNLAWFUL**.

433. **IT IS FURTHER ORDERED** that, pursuant to Sections 4(i), 201(b), and 204(a) of the Communications Act, 47 U.S.C. §§ 154(i), 201(b), and 204(a), the overhead loadings contained in the physical collocation tariffs of Ameritech Operating Companies, Bell Atlantic Telephone Companies, BellSouth Telecommunications, Inc., Central Telephone Companies, GTE Telephone Operating Companies, Lincoln Telephone and Telegraph Company, Nevada Bell, New York Telephone Company and New England Telephone and Telegraph Company, Pacific Bell, Rochester Telephone Corporation, and US West Communications, Inc. are **UNLAWFUL**.

434. **IT IS FURTHER ORDERED** that, pursuant to Sections 4(i), 201(b), and 204(a) of the Communications Act, 47 U.S.C. §§ 154(i), 201(b), and 204(a), certain terms and conditions identified in this Order and contained in the physical collocation tariffs of Lincoln Telephone and Telegraph Company, Nevada Bell, New York Telephone Company and New England Telephone and Telegraph Company, Pacific Bell, Rochester Telephone Corporation, and Southern New England Telephone Company are **UNLAWFUL**.

435. **IT IS FURTHER ORDERED** that, pursuant to Sections 4(i), 201(b), 203, 204(a), and 205(a) of the Communications Act, 47 U.S.C. §§ 154(i), 201(b), 203, 204(a), and

205(a), Lincoln Telephone and Telegraph Companies, Nevada Bell, New York Telephone Company and New England Telephone and Telegraph Company, Pacific Bell, Rochester Telephone Corporation, and Southern New England Telephone Company **SHALL FILE** tariff revisions reflecting our findings in this investigation, as specified in Section III.E of this Order, no later than 45 days from the release date of this Order.

436. **IT IS FURTHER ORDERED** that, pursuant to Sections 4(i), 201(b), 203, 204(a), and 205(a) of the Communications Act, 47 U.S.C. §§ 154(i), 201(b), 203, 204(a), and 205(a), Lincoln Telephone and Telegraph Company, Nevada Bell, New York Telephone Company and New England Telephone and Telegraph Company, Pacific Bell, Rochester Telephone Corporation, and Southern New England Telephone Company must establish their rates in accordance with Sections III.B, III.C, III.D, and Appendix C of this Order. These companies **ARE ORDERED** to submit tariff revisions establishing new rates, with full explanations of how they have complied with the findings in this Order, no later than 45 days from the release date of this Order.

437. **IT IS FURTHER ORDERED** that, pursuant to Sections 4(i), 201(b), 204(a), and 205(a) of the Communications Act, 47 U.S.C. §§ 154(i), 201(b), 204(a), and 205(a), Lincoln Telephone and Telegraph Company, Nevada Bell, New York Telephone Company and New England Telephone and Telegraph Company, Pacific Bell, Rochester Telephone Corporation, and Southern New England Telephone Company **SHALL REFUND**, with simple interest, the difference between the rates that result from the cost disallowances in this Order and the rates charged to those customers that subscribed to the physical collocation services of these LECs between December 15, 1994 and the day before each LEC's new physical collocation rates take effect pursuant to this Order. All refunds shall be calculated in accordance with the requirements established in Sections III.A, III.B, III.C, III.D, and Appendix C of this Order. These companies **ARE ORDERED** to submit their plans for issuing refunds to the Common Carrier Bureau for review and approval pursuant to our delegation of authority under Section 0.291 of the Commission's Rules, 47 C.F.R. § 0.291, within 45 days of the release of this Order. These companies shall issue full refunds to their customers no later than 30 days from the date that the Common Carrier Bureau approves their refund plans. Interest shall be computed on the basis of interest rates specified by the United States Internal Revenue Service.

438. **IT IS FURTHER ORDERED** that, pursuant to Sections 4(i), 201(b), 204(a), and 205(a) of the Communications Act, 47 U.S.C. §§ 154(i), 201(b), 204(a), and 205(a), Ameritech Operating Companies, Bell Atlantic Telephone Companies, BellSouth Telecommunications, Inc., Central Telephone Companies, GTE Telephone Operating Companies, and US West Communications, Inc. **SHALL REFUND**, with simple interest, the difference between the rates that result from the cost disallowances in this Order and the rates charged to those customers that subscribed to the physical collocation services of these LECs between December 15, 1994 and the date each LEC discontinued providing physical collocation service. All refunds shall be calculated in accordance with the requirements established in Sections III.A, III.B, III.C, III.D, and Appendix C of this Order. These

companies **ARE ORDERED** to submit their plans for issuing refunds to the Common Carrier Bureau for review and approval pursuant to our delegation of authority under Section 0.291 of the Commission's Rules, 47 C.F.R. § 0.291, within 45 days of the release of this Order. These companies shall issue full refunds to their customers no later than 30 days from the date that the Common Carrier Bureau approves their refund plans. Interest shall be computed on the basis of interest rates specified by the United States Internal Revenue Service.

439. **IT IS FURTHER ORDERED** that, pursuant to Sections 4(i), 201(b), 204(a), and 205(a) of the Communications Act, 47 U.S.C. §§ 154(i), 201(b), 204(a), and 205(a), Cincinnati Bell Telephone Companies and Southwestern Bell Telephone Company **SHALL REFUND**, with simple interest, the difference between the rates that result from the cost disallowances in this Order and the rates charged to those customers that subscribed to the physical collocation services of these LECs between December 15, 1994 and the date each LEC discontinued providing physical collocation service. All refunds shall be calculated in accordance with the requirements established in Sections III.A, III.B, III.C, and Appendix C of this Order. These companies **ARE ORDERED** to submit their plans for issuing refunds to the Common Carrier Bureau for review and approval pursuant to our delegation of authority under Section 0.291 of the Commission's Rules, 47 C.F.R. § 0.291, within 45 days of the release of this Order. These companies shall issue full refunds to their customers no later than 30 days from the date that the Common Carrier Bureau approves their refund plans. Interest shall be computed on the basis of interest rates specified by the United States Internal Revenue Service.

440. **IT IS FURTHER ORDERED** that Section 61.59 of the Commission's Rules, 47 C.F.R. § 61.59, **IS WAIVED** for the purposes of compliance with this Order. Carriers should cite the "FCC" number of this Order as authority for their tariff filings.

441. **IT IS FURTHER ORDERED** that, pursuant to Section 204(a) of the Communications Act, 47 U.S.C. § 204(a), the investigation and accounting order imposed by the Common Carrier Bureau in CC Docket No. 93-162 for the physical collocation tariffs of Ameritech Operating Companies, Bell Atlantic Telephone Companies, BellSouth Telecommunications, Inc., Central Telephone Companies, GTE System Telephone Companies, GTE Telephone Operating Companies, Lincoln Telephone and Telegraph Company, Nevada Bell, New York Telephone Company and New England Telephone and Telegraph Company, Pacific Bell, Rochester Telephone Corporation, Southern New England Telephone Company, United Telephone Companies, and US West Communications, Inc. **ARE TERMINATED.**

442. **IT IS FURTHER ORDERED** that the investigation and accounting order imposed by the Common Carrier Bureau in CC Docket No. 93-162 for the physical collocation tariffs of the Cincinnati Bell Telephone Companies and Southwestern Bell Telephone Company shall remain in effect pending resolution of the requests by these companies for confidential treatment of the overhead loading and direct cost data they submitted for their comparable DS1 and DS3 services. Thus, pursuant to Section 204(a) of the Communications Act, 47 U.S.C. § 204(a), Cincinnati Bell Telephone Companies and

Southwestern Bell Telephone Company **SHALL KEEP ACCURATE ACCOUNT** of all earnings, costs, and returns associated with the rates that are the subject of this investigation, and of all amounts that were paid thereunder and by whom such amounts were paid. If, at the conclusion of this investigation, the Commission determines that the overhead loading factors that Cincinnati Bell Telephone Companies and Southwestern Bell Telephone Company assigned to physical collocation services resulted in rates that are above just and reasonable levels, the Commission will require these LECs to pay refunds to customers that purchased physical collocation service from these LECs between December 15, 1994 and the date each LEC discontinued providing physical collocation service.

443. **IT IS FURTHER ORDERED** that the Petition for Reconsideration of the Commission's *Interim Overhead Order*, filed by BellSouth Telecommunications, Inc., **IS DENIED.**

444. **IT IS FURTHER ORDERED** that the Applications for Review of the Common Carrier Bureau's *Physical Collocation Tariff Suspension Order*, filed by New York Telephone Company and New England Telephone and Telegraph Company, Southwestern Bell Telephone Company, and US West Communications, Inc., **ARE DENIED**.

445. **IT IS FURTHER ORDERED** that the Petition for Clarification of the Common Carrier Bureau's *Supplemental Designation Order*, filed by Bell Atlantic Telephone Companies, **IS DENIED**.

FEDERAL COMMUNICATIONS COMMISSION

William F. Caton

William F. Caton,
Acting Secretary

Appendix A

List of Pleadings

DIRECT CASES FILED IN RESPONSE TO
ORDER DESIGNATING ISSUES FOR INVESTIGATION

August 20, 1993

Ameritech Operating Companies (Ameritech)
Bell Atlantic Telephone Companies (Bell Atlantic)
BellSouth Telecommunications, Inc. (BellSouth)
Central Telephone Companies (Central)
Cincinnati Bell Telephone Companies (CBT)
GTE System Telephone Companies (GSTC)
GTE Telephone Operating Companies (GTOC)
Lincoln Telephone and Telegraph Company (Lincoln)
Nevada Bell (Nevada)
New York Telephone and New England Telephone and Telegraph Company (NYNEX)
Pacific Bell (Pacific)
Rochester Telephone Corporation (Rochester)
Southern New England Telephone Company (SNET)
Southwestern Bell Telephone Company (SWB)
United Telephone Companies (United)
U S West Communications, Inc. (US West)

OPPOSITIONS FILED IN RESPONSE TO DIRECT CASES

September 20, 1993

Association for Local Telephone Services (ALTS)
MCI Communications Corporation (MCI)
MFS Communications Company, Inc. (MFS)
Public Utilities Commission of Ohio (PUCO)
Sprint Communications Company L.P. (Sprint)
Teleport Communications Group Inc. (TCG)
Teleport Denver Limited (TDL)

REBUTTALS FILED IN RESPONSE TO
OPPOSITIONS TO DIRECT CASES

September 30, 1993

Ameritech
Bell Atlantic
BellSouth
Central
Cincinnati Bell
GSTC
GTOC
Lincoln
Nevada
NYNEX
Pacific
Rochester
SNET
SWB
United
U S West

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SUPPLEMENTAL DIRECT CASES FILED IN RESPONSE TO
SUPPLEMENTAL DESIGNATION ORDER AND ORDER TO SHOW CAUSE

June 15, 1994

Bell Atlantic
Rochester
United and Central

OPPOSITIONS FILED IN RESPONSE TO
SUPPLEMENTAL DIRECT CASES

June 22, 1994

MCI
MFS

PETITION FOR RECONSIDERATION OF
<u>INTERIM OVERHEAD ORDER</u>

December 13, 1993

BellSouth

COMMENTS FILED IN SUPPORT OF
PETITION FOR RECONSIDERATION OF
<u>INTERIM OVERHEAD ORDER</u>

February 4, 1994

Ameritech

OPPOSITIONS FILED IN RESPONSE TO
PETITION FOR RECONSIDERATION OF
<u>INTERIM OVERHEAD ORDER</u>

February 4, 1994

Ad Hoc Telecommunications Users Group (Ad Hoc)
ALTS
MFS

REPLY FILED IN RESPONSE TO OPPOSITION
TO PETITION FOR RECONSIDERATION OF
<u>INTERIM OVERHEAD ORDER</u>

February 22, 1994

BellSouth

PETITION FOR CLARIFICATION OF
SUPPLEMENTAL DESIGNATION ORDER

June 30, 1994

Bell Atlantic

COMMENTS FILED IN SUPPORT OF
PETITION FOR CLARIFICATION OF
SUPPLEMENTAL DESIGNATION ORDER

August 29, 1994

SWB
US West

OPPOSITIONS TO PETITION
FOR CLARIFICATION OF
SUPPLEMENTAL DESIGNATION ORDER

August 29, 1994

ALTS
MCI
MFS
Sprint

REPLY COMMENTS TO OPPOSITION TO
PETITION FOR CLARIFICATION OF
SUPPLEMENTAL DESIGNATION ORDER

September 13, 1994

Ad Hoc
Bell Atlantic
MFS
NYNEX

APPLICATION FOR REVIEW OF
<u>PHYSICAL COLLOCATION TARIFF SUSPENSION ORDER</u>

July 12, 1993

NYNEX
SWB
US West

Appendix B

Physical Collocation Direct Costs

PHYSICAL COLLOCATION DIRECT COSTS

FUNCTION	AMERITECH Cost Per Month	BELL ATLANTIC Cost Per Month	BELL SOUTH Cost Per Month	NYNEX Cost Per Month
Entrance Facility - LECS That Install the Cable	$30.23	$251.00		
Entrance Facility - LECS That Do Not Install The Cable			$83.12	$99.33
Construction	$263.35		$578.72	$1,200.03
Floor Space	$257.95	$205.00		$367.00
Power	$555.37	$549.84		$195.20
DS1 Cross-Connection and Termination Equipment	$557.90	$1,039.94	$549.12	$744.86
DS3 Cross-Connection and Termination Equipment	$25.48	$184.81	$190.24	$111.29
Security Installation - LECS With Card Access Systems			$91.00	
Security Installation - LECS Without Card Access Systems	$143.74			
Security Escort*				
DS1 POT Bay	$48.00		$37.00	$231.00
DS3 POT Bay	$24.44		$9.56	$115.40
* Security escort direct costs are expressed per hour.				

PHYSICAL COLLOCATION DIRECT COSTS

FUNCTION	PACIFIC Cost Per Month	NEVADA Cost Per Month	SWB Cost Per Month	US WEST Cost Per Month
Entrance Facility - LECS That Install the Cable	$170.93	$322.81	$590.21	$139.30
Entrance Facility - LECS That Do Not Install The Cable				
Construction	$1,256.89	$124.18	$1,069.27	$637.56
Floor Space	$581.27	$305.33	$156.75	$596.28
Power	$334.86		$382.81	$296.51
DS1 Cross-Connection and Termination Equipment	$946.68		$663.68	$1,924.35
DS3 Cross-Connection and Termination Equipment	$271.99		$200.97	$638.89
Security Installation - LECS With Card Access Systems	$380.44		$113.62	
Security Installation - LECS Without Card Access Systems		$10.48		
Security Escort*		$106.59	$2.96	$12.25
DS1 POT Bay	$65.00			$74.00
DS3 POT Bay	$30.48			$48.80
* Security escort direct costs are expressed per hour.				

PHYSICAL COLLOCATION DIRECT COSTS

FUNCTION	GTOC-TX Cost Per Month	CBT Cost Per Month	LINCOLN Cost Per Month	ROCHESTER Cost Per Month
Entrance Facility - LECS That Install the Cable	$77.37			
Entrance Facility - LECS That Do Not Install The Cable		$3,776.00		$200.56
Construction	$289.47	$1,104.30		
Floor Space	$517.00		$347.00	$317.00
Power	$785.97		$213.18	$140.20
DS1 Cross-Connection and Termination Equipment		$914.00	$355.00	$1,022.00
DS3 Cross-Connection and Termination Equipment		$210.32		$211.28
Security Installation - LECS With Card Access Systems	$199.51	$129.02		
Security Installation - LECS Without Card Access Systems			$21.00	
Security Escort*			$39.60	
DS1 POT Bay				
DS3 POT Bay				
* Security escort direct costs are expressed per hour.				

PHYSICAL COLLOCATION DIRECT COSTS

FUNCTION	SNET Cost Per Month	CENTEL-ILL Cost Per Month	Average	Sample Standard Deviation
Entrance Facility - LECS That Install the Cable	$395.87	$405.77	$264.83	$180.70
Entrance Facility - LECS That Do Not Install The Cable			$1,039.75	$1,824.90
Construction	$491.75		$701.55	$423.31
Floor Space	$270.00		$356.42	$147.72
Power	$788.76		$424.27	$235.80
DS1 Cross-Connection and Termination Equipment	$886.86	$1,913.00	$959.78	$494.21
DS3 Cross-Connection and Termination Equipment	$183.01	$187.88	$219.65	$152.61
Security Installation - LECS With Card Access Systems			$182.72	$117.73
Security Installation - LECS Without Card Access Systems			$58.41	$74.09
Security Escort*		$36.80	$39.64	$40.58
DS1 POT Bay	$82.00		$89.50	$71.27
DS3 POT Bay	$8.80		$39.58	$39.99
* Security escort direct costs are expressed per hour.				

PHYSICAL COLLOCATION DIRECT COSTS

FUNCTION	Average Plus 1 Standard Deviation	Minimum	Maximum
Entrance Facility - LECS That Install the Cable	$445.53	$30.23	$590.21
Entrance Facility - LECS That Do Not Install The Cable	$2,864.66	$83.12	$3,776.00
Construction	$1,124.86	$124.18	$1,256.89
Floor Space	$504.13	$156.75	$596.28
Power	$660.07	$140.20	$788.76
DS1 Cross-Connection and Termination Equipment	$1,453.99	$355.00	$1,924.35
DS3 Cross-Connection and Termination Equipment	$372.26	$25.48	$638.89
Security Installation - LECS With Card Access Systems	$300.45	$91.00	$380.44
Security Installation - LECS Without Card Access Systems	$132.50	$10.48	$143.74
Security Escort*	$80.21	$2.96	$106.59
DS1 POT Bay	$160.77	$37.00	$231.00
DS3 POT Bay	$79.57	$8.80	$115.40
* Security escort direct costs are expressed per hour.			

APPENDIX C

CALCULATING NEW RATES TO REFLECT STATISTICAL DISALLOWANCES

I. Introduction

1. This Order makes direct cost disallowanaces in cases where LECs' monthly direct costs are in excess of the overall LEC direct cost average plus one standard deviation for a particular function and they failed to provide sufficient information to justify these high direct costs. Accordingly, these LECs must recalculate their direct costs in order to determine refund amounts and, where appropriate, to establish proper rate levels on a going forward basis. This section sets forth the methodology that LECs must use to recalculate their direct costs.

2. This Order did not develop monthly construction direct costs for Bell Atlantic, Rochester, and Central because these LECs did not tariff a rate or provide direct cost data in TRP format for this function. Moreover, it was not possible to develop construction or entrance facility and space direct costs for Lincoln because Lincoln did not file complete data for construction or entrance facility direct costs. As a result, Bell Atlantic, Rochester, Central and Lincoln must use the methodology set forth in this section to determine whether their direct costs for these functions are in excess of the overall LEC average plus one standard deviation. These LECs must calculate appropriate refund amounts to the extent that they imposed physical collocation rates for these functions that recovered direct costs in a dollar amount greater than the average plus one standard deviation.

3. In order to perform a function-by-function analysis of direct costs, LECs' recurring and nonrecurring per unit direct costs for every function, except for the DS3 cross-connection and termination equipment function, were converted to direct costs by multiplying these per unit costs by the number of units required to provision 100 DS1s. LECs' recurring and nonrecurring per unit direct costs for the DS3 cross-connection and termination equipment function were converted to direct costs by multiplying these per unit costs by the number of units required to provision four DS3s. Moreover, monthly direct costs were developed for LECs' nonrecurring direct costs by amortizing such costs over a 60 month period at an 11.25 percent rate of interest. This Order makes disallowances to these monthly direct costs to the extent that such costs are in excess of the overall LEC average plus one standard deviation for a particular function. However, LECs' do not tariff physical collocation rates to recover such monthly direct costs; they recover recurring and nonrecurring per unit direct costs. This appendix, therefore, explains the methodology for converting the monthly direct cost disallowances into recurring and nonrecurring per unit direct cost disallowances. The tables in this appendix set forth the calculations for these per unit direct cost disallowances. The following is an explanation of the calculations contained in those tables.

II. Direct Cost Data Base

4. In each of the tables developed for the LECs that recovered direct costs in excess of the overall LEC average plus one standard deviation for a particular function, column (a) shows the disaggregated functions (*e.g.*, the DC power installation function and the DC power generation function) that comprise the aggregated function (*e.g.*, the aggregate DC power function) on which the average cost analysis is based. A disaggregated function for which recurring and nonrecurring direct costs are developed is listed twice so as to identify separately each of these costs.

5. Column (b) identifies the rate elements that correspond to the functions listed in column (a). Depending on the LEC's particular rate structure, a particular function may include several rate elements. Conversely, a rate element may include costs for more than one function.

6. Column (c) identifies the date on which the TRP data used for this function-by-function analysis was filed with the Commission. The data on which this analysis is based represent the initial cost data filed by LECs with modifications of such data through June 3, 1994.

7. Column (d) identifies the direct costs on a per unit basis.

8. Column (e) identifies the units by which the per unit direct costs identified in column (d) are measured. The rates in the LECs' tariffs and these corresponding per unit direct costs are expressed in terms of the same unit of measure.

9. Column (f) identifies the number of units needed to provide each function listed in column (a), except for the DS3 cross-connection and termination equipment function, assuming that 100 DS1s are provisioned. Where the DS3 cross-connection and termination equipment function is listed in column (a), column (f) identifies the number of units needed to provide that function, assuming that four DS3s are provisioned.

10. Column (g) identifies the recurring direct costs. These costs are derived by multiplying the per unit recurring direct costs in column (d) by the number of units in column (f).

11. Column (h) identifies the nonrecurring direct costs. These costs are obtained by multiplying the per unit nonrecurring direct costs in column (d) by the number of units in column (f).

12. Column (i) identifies the amortized amount of the nonrecurring direct cost in column (h). The nonrecurring cost is amortized over 60 months at an 11.25 percent rate of interest.

13. Row (8), column (i) identifies the total direct cost per month. Total direct cost per month is equal to the sum of the total recurring costs in row (7), column (g) and the total amortized amount of the nonrecurring costs in row (7), column (i).

14. Row (9), column (i) identifies the overall LEC average plus one standard deviation in most cases. The direct costs of every LEC on which this average and standard deviation are based were calculated by following the steps set forth in columns (a) through (i) of the attached charts. In a few cases, the total direct cost per month in row (8), column (i) is a LEC's direct cost for a central office, other than that of its highest-priced central office, and the direct cost for this other central office must be reduced by the percentage by which the direct cost for the highest-priced central office must be reduced to equal the overall LEC average plus one standard deviation. Row (9), column (i) identifies that percentage direct cost disallowance per month.

15. Row (10), column (i) identifies the total direct cost disallowance per month. This disallowance is derived by subtracting the overall LEC average plus one standard deviation in row (9), column (i) from the total direct cost per month in row (8), column (i) in most cases. In a few cases, the total direct cost per month in row (8), column (i) is a LEC's direct cost for a central office, other than that of its highest-priced central office, and the direct cost for this other central office must be reduced by the percentage by which the direct cost for the highest-priced central office must be reduced to equal the overall LEC average plus one standard deviation. In these few cases, the total direct cost disallowance per month in Row (10), column (i) is derived by multiplying the total direct cost per month in row (8), column (i) by the percentage direct cost disallowance per month in row (9) column (i).

16. Column (j) identifies the percentage of the total direct cost per month in row (8), column(i) that each recurring direct cost in column (g) and each amortized nonrecurring direct cost in column (i) represents.

17. Column (k) identifies the "monthly disallowance" for each rate element in column (b). This monthly disallowance is derived by multiplying the percentages of the total direct cost per month in column (j) by the total direct cost disallowance per month in row (10), column (i).

18. Column (l) identifies the present value of the monthly disallowance in column (k). The present value is calculated using an 11.25 percent discount rate for a 60-month period. The present value of the nonrecurring direct cost component of the "monthly" disallowance is calculated because the nonrecurring direct costs are amortized in computing the total direct cost per month in row (8), column (i). In effect, that amortization converts a nonrecurring direct cost to a recurring direct cost by assuming that the nonrecurring cost is incurred in equal amounts over a 60 month period. The amortization also provides a monthly dollar allowance to reflect an 11.25 percent cost of money and this allowance is reflected in the amortized monthly amount of the nonrecurring cost. The present valuation

eliminates this amortization by discounting the monthly disallowances of the amortized monthly amount of the nonrecurring costs back to the present. The present value of the recurring direct cost components of the monthly disallowance in column (l) is precisely equal to the dollar amount of the monthly recurring direct cost disallowances in column (k) because the recurring direct costs are not amortized for the purpose of computing the total direct cost per month in row (8) column (i). In short, the present value of the monthly amount of a recurring cost is equal to the dollar amount of that cost at the time that it is incurred.

19. Column (m) identifies the per unit disallowances for each rate element in column (b). The per unit disallowances are calculated by dividing the present values of the disallowances in column (l) by the corresponding number of units in column (f).

20. Column (n) identifies the allowable per unit cost for the functions in column (a) that may be recovered in each corresponding rate element in column (b). The allowable per unit cost is computed by subtracting the per unit disallowance in column (m) from the per unit direct cost in column (d).

21. LECs for which direct cost disallowances are made on the basis of the statistical analysis in this Order must recalculate their per unit direct costs to reflect the disallowances set forth in column (m). These LECs' revised rate elements may not recover per unit direct costs for these functions in excess of the allowable per unit direct costs in column (n). These LECs' refund amounts are to equal the difference between actual revenues derived from rates that reflect unrevised per unit direct costs and those that would have been derived from rates that reflect the per unit direct cost disallowances.

22. Bell Atlantic, Lincoln, Rochester, and Central must complete columns (a) through (i) to determine whether they recovered construction direct costs in an amount greater than the overall LEC average direct cost plus one standard deviation for this function. If any one of these LECs determines that its total direct cost per month in row (8), column (i) is greater than the overall LEC construction direct cost average plus one standard deviation of $1,125 per month, then it must complete columns (j) through (n) to determine the per unit direct cost disallowance in column (m) and allowable per unit direct cost in column (n) applicable to its construction direct costs. These LECs' refund amounts in such a case must be equal to the difference between actual revenues derived from rates that reflect unrevised per unit direct costs and those that would have been derived from rates that reflect the per unit direct cost disallowances.

23. Lincoln must also complete columns (a) through (i) to determine whether it recovered entrance facility installation and space direct costs in an amount greater than the overall LEC average direct cost plus one standard deviation for this function. If Lincoln determines that its total direct cost per month in row (8), column (i) is greater than the overall LEC entrance facility installation and space average plus one standard deviation of $446 per month, then it must complete columns (j) through (n) to determine the per unit direct cost disallowance in column (m) and allowable per unit direct cost in column (n)

applicable to its entrance facility and space direct costs. Lincoln installs the interconnector's cable and it must, therefore, compare its total entrance facility installation and space direct cost per month with the overall LEC average plus one standard deviation of $446 per month for LECs that install the interconnector's cable. Lincoln's refund amount in such a case must be equal to the difference between actual revenues derived from rates that reflect unrevised per unit direct costs and those that would have been derived from rates that reflect the per unit direct cost disallowances.

GTOC - Texas, Plano NW Office
Floor Space Direct Cost Disallowance

(a) Function	(b) Rate Element	(c) Date of Data Filing	(d) Per Unit Cost	(e) Unit of Measure	(f) # of Units	(g) Recurring Cost (d)*(f)	(h) Non-Recurring Cost (d)*(f)	(i) Amortized Non-Recurring Cost	(j) % of Total Cost (g)/(i8) or (i)/(i8)	(k) Monthly Disallowance (j)*(i10)	(l) PV of Monthly Disallowance	(m) Disallowance Per Unit (l)/(f)	(n) Allowable Per Unit Cost (d)-(m)
1. Floor Space-rec	Partition Space-Plano NW	8/20/93	$5.17	per sq ft	100	$517.00			100%	$12.87	$12.87	$0.13	$5.04
2.													
3.													
4.													
5.													
6.													
7. Total (1)						$517.00	$0.00	$0.00	100%	$12.87			
8. Total Direct Cost per Month (g7)+(i7)								$517.00					
9. Lec Avg + 1 SD								$504.13					
10. Total Disallowance per Month (i8)-(i9)								$12.87					

US West - Arizona, Base Rent Area 1 Offices
Floor Space Direct Cost Disallowance

(a) Function	(b) Rate Element	(c) Date of Data Filing	(d) Per Unit Cost	(e) Unit of Measure	(f) # of Units	(g) Recurring Cost (d)*(f)	(h) Non-Recurring Cost (d)*(f)	(i) Amortized Non-Recurring Cost	(j) % of Total Cost (g)/(i8) or (i)/(i8)	(k) Monthly Disallowance (j)*(i10)	(l) PV of Monthly Disallowance	(m) Disallowance Per Unit (l)/(f)	(n) Allowable Per Unit Cost (d)-(m)
1. Floor Space-rec	Maintenance	4/26/94	$133.33	per 100 sq ft	1	$133.33			22.36%	$20.60	$20.60	$20.60	$112.73
2. Floor Space-rec	Base Rent Area 1	4/26/94	$4.25	per sq ft	100	$425.00			71.28%	$65.68	$65.68	$0.66	$3.59
3. Floor Space-rec	-48 Volt DC Power-Arizona	4/26/94	$2.53	per amp/month	15	$37.95			6.36%	$5.86	$5.86	$0.39	$2.14
4.													
5.													
6.													
7. Total (1)+(2)+(3)						$596.28	$0.00	$0.00	100.00%	$92.15			
8. Total Direct Cost per Month (g7)+(i7)								$596.28					
9. Lec Avg + 1 SD								$504.13					
10. Total Disallowance per Month (i8)-(i9)								$92.15					

US West - Wyoming, Base Rent Area 1 Offices
Floor Space Direct Cost Disallowance

(a) Function	(b) Rate Element	(c) Date of Data Filing	(d) Per Unit Cost	(e) Unit of Measure	(f) # of Units	(g) Recurring Cost (d)*(f)	(h) Non-Recurring Cost (d)*(f)	(i) Amortized Non-Recurring Cost	(j) % of Total Cost (g)/(i8) or (i)/(i8)	(k) Monthly Disallowance (j)*(i10)	(l) PV of Monthly Disallowance	(m) Disallowance Per Unit (l)/(f)	(n) Allowable Per Unit Cost (d)-(m)
1. Floor Space-rec	Maintenance	4/26/94	$133.33	per 100 sq ft	1	$133.33			23.12%	$16.79	$16.79	$16.79	$116.54
2. Floor Space-rec	Base Rent Area 1	4/26/94	$4.25	per sq ft	100	$425.00			73.68%	$53.53	$53.53	$0.54	$3.71
3. Floor Space-rec	-48 Volt DC Power-Wyoming	4/26/94	$1.23	per amp/month	15	$18.45			3.20%	$2.32	$2.32	$0.15	$1.08
4.													
5.													
6.													
7. Total (1)+(2)+(3)						$576.78	$0.00	$0.00	100.00%	$72.65			
8. Total Direct Cost per Month (g7)+(i7)								$576.78					
9. Lec Avg + 1 SD								$504.13					
10. Total Disallowance per Month (i8)-(i9)								$72.65					